

STATE OF VERMONT
PUBLIC SERVICE BOARD

Docket No. 7284

Investigation into Central Vermont Public Service)
Corporation's 2007 Integrated Resource Plan)

Order entered: 8/9/2010

ORDER APPROVING CVPS INTEGRATED RESOURCE PLAN

I. INTRODUCTION

This Docket is an investigation of Central Vermont Public Service Corporation's ("CVPS" or "the Company") Integrated Resource Plan ("IRP") that was filed on April 2, 2007. In this Proposal for Decision, I recommend that the Public Service Board ("Board") approve CVPS's IRP and approve a Stipulation between CVPS and the Vermont Department of Public Service ("DPS" or "Department") resolving their areas of disagreement.

II. PROCEDURAL HISTORY

CVPS initiated this proceeding with the filing of its latest IRP on April 2, 2007.

As a first step in this investigation, CVPS and the Department agreed to engage in informal discovery and to pursue discussion to determine if a settlement or other recommendation concerning the disposition of this investigation could be achieved for presentation to the Board.

After several extensions to allow for negotiations, on January 11, 2008, CVPS filed a status report outlining the Parties' discussions. This report confirmed the Parties' agreement that CVPS would prepare and file an IRP Supplement to provide further insight into CVPS's decision-making processes. The status report also identified various questions raised by the Department that CVPS would address in the supplement. The report asserted that CVPS could not describe firm resource decisions at this time, but stated that the supplement would provide greater understanding of the Company's resource goals and targets.

On March 7, 2008, CVPS filed its 2007 IRP Supplement (the "IRP Supplement"). The IRP Supplement provided responses to the Department's questions and contained additional analysis that described CVPS's portfolio plans beyond the original descriptions of the Company's planning process set forth in the 2007 IRP. It also contained an updated multi-attribute portfolio analysis.

On May 1, 2008, the Board held a public hearing on CVPS's IRP. No members of the public spoke.

Following submission of the IRP Supplement, the parties engaged in further discussions. These culminated in a Stipulation, which the parties filed on July 24, 2008. In the Stipulation, the Department and CVPS agree that the Board should approve CVPS's IRP, as augmented by the Supplement.

On October 15, 2008, CVPS requested that the Board schedule a workshop to focus on the evaluation methodology that CVPS had developed and intended to use to evaluate new resources expected to bid in response to a power-supply solicitation. This filing was in compliance with the Stipulation.

The Hearing Officer convened workshops on November 20, 2008, and February 2, 2009, to examine CVPS's evaluation methodology and its application to the responses to the Company's power-supply solicitation.

Based on the evidence in this Docket, I hereby report the following findings and conclusions to the Board in accordance with 30 V.S.A. § 8.

III. FINDINGS

CVPS's IRP

1. On April 2, 2007, CVPS filed a petition requesting approval for its 2007 IRP pursuant to Title 30 of the Vermont Statutes Annotated ("V.S.A.") § 218c.

2. The CVPS IRP sets forth the Company's plan for meeting its customers' need for energy services, after safety concerns are addressed, at the lowest present-value life-cycle cost, including environmental and economic costs, through a strategy combining investments and expenditures on energy supply, transmission and distribution capacity, transmission and

distribution efficiency, and comprehensive energy efficiency programs. CVPS IRP, *generally*; Stipulation at 1.

3. CVPS's IRP uses a scenario-based multi-attribute analysis to evaluate its power supply options. Under this analysis, CVPS developed more than two dozen portfolios to test the performance of a broad range of generating resources. IRP at 80–81; IRP Supplement at 2.

4. The multi-attribute analysis evaluates nine separate resource options and identifies both power costs and emissions. This methodology attempts to provide information about the trade-offs between cost and emissions in the different power-supply options. IRP at 81; IRP Supplement at 5.

5. CVPS's IRP concludes that the Company has no need for additional energy resources under expected load growth scenarios until after March 2012. Until that time, CVPS plans to look at new resources based upon market prices. IRP Supplement at 11.

6. CVPS's planning strives for a portfolio that would deliver least-cost, reliable, safe power to customers while mitigating unit-contingent risks, common-mode failure risks, and fuel supply/price volatility risks. IRP Supplement at 22.

7. CVPS's resource planning efforts also revolve around the Company's goal of reestablishing an investment-grade credit rating; changes in market credit requirements have made such a credit rating important to the development of a favorable portfolio for the long-term. IRP Supplement at 3.

8. CVPS plans to continue to work with Efficiency Vermont to improve efficiency, with emphasis on constrained service areas. Currently, this is occurring primarily in the Southern Loop sub-transmission target area. IRP Supplement at 36–37.

9. CVPS's IRP discusses the current condition of CVPS's transmission and distribution system, and describes its transmission and distribution planning activities. IRP at 24–72.

10. CVPS's IRP includes an action plan for implementing the conclusions identified through its IRP analysis. IRP at 93–94.

Forecasting

11. CVPS commits to explore opportunities to utilize third parties to develop a long-term load forecast. The goal of the effort will be to achieve economies of scale through cooperative efforts with other Vermont utilities and to improve the quality of the Company's forecast through the sharing of utility and Efficiency Vermont data subject to appropriate confidentiality concerns. Stipulation at 3.

Resource Planning

12. The parties to the Stipulation agree that the following issues are important to utility planning efforts and require the attention of utilities, regulators and other policy-makers:

- (a) strategies to reconcile the public's desire for stably-priced renewable resources with existing ratemaking requirements (e.g., used and usefulness, and prudence);
- (b) strategies to clarify the relationship between the acquisition of least-cost resources under 30 V.S.A. § 218c and ratemaking doctrines that focus power-cost recovery on near-term market tests and forecasts;
- (c) strategies to help utilities to manage collateral requirements associated with long-term supply arrangements;
- (d) strategies to recognize the role of hedging and to clarify the rate and cost-recovery policies to be used to recover attendant costs;
- (e) strategies to clarify and ensure the enduring nature of regulatory and ratemaking policies concerning long-term resource commitments; and
- (f) the development of portfolio targets for use in the design and evaluation of utility resource solicitations.

Stipulation at 3–4.

13. Under the Stipulation, the Department and CVPS agree to consult as CVPS develops its Request for Proposals ("RFP") for additional power supply. CVPS agrees to periodically update the DPS and Board on the progress made regarding the preparation of the resource solicitation and to provide any updated portfolio analysis to be taken into account in the evaluation of responses to the RFP. CVPS agrees to file its proposed RFP and evaluation methodology with the Board and Department prior to the commencement of any formal resource solicitation. At the time that CVPS files its proposed RFP with the Board, the Stipulation provides that the Company may request that the Board amend any order approving the 2007 IRP to include approval of the

RFP, including the methods and processes called for thereunder, pursuant to 30 V.S.A. § 218c. Stipulation at 4.

Reliability

14. In the Stipulation, CVPS commits to implement a plan for process improvement in the identification of tree-related outages and impacted protective devices based on the elements described in findings 15–17, below.

15. The Stipulation provides that CVPS will continue to implement improvements to its Work Management Connectivity Model including:

- (a) Completion of a company-wide fuse inventory to identify the manufacturer of each fuse device and confirm its presence and location as where indicated in the Company's records. The goal of this effort will be to improve the accuracy of the data base of protective devices utilized within CVPS' Outage Management System ("OMS").
- (b) The implementation in 2008 of an Intergraph G-Technology system intended to improve the reliability of the data that is migrated to CVPS' OMS in 2008. The new system is designed to automatically check the validity of new Work Request designs against the connectivity model, so that a Work Request cannot close unless connectivity within the database is maintained.
- (c) The establishment of resource coordination measurements to assess progress by looking at improvements in the number of devices recorded within CVPS's connectivity model that are traceable within the Company's OMS.

Stipulation at 4–5.

16. Under the Stipulation, CVPS commits to continue to make improvements to the communications between Field Personnel and Central Schedulers including the following steps:

- (i) CVPS Field Operations Managers will reinforce the importance of communicating and accurately recording protective device and outage locations¹ on outage cards and within the Company's OMS. This will occur bi-monthly at district safety meetings.

1. While the accurate recording of the location of the protective device that tripped and the location of the event that caused the outage (i.e., the location, to the nearest pole, where a tree fell on the line) are both important, CVPS will place emphasis on improving the accuracy of recording the location of the event that caused the outage.

- (ii) CVPS will provide an overview of the processes and objectives for Asset Management and Reliability Reporting at each CVPS district. This presentation will include an overview of how the protective device and outage location information is utilized in the Company's reliability improvement processes and in the investigation of customer complaints.
- (iii) CVPS will maintain the documentation of all communications training in the minutes of the district safety meetings.

Stipulation at 5.

17. The Stipulation requires CVPS to make improvements in the accuracy of the Company's outage data including:

- (i) CVPS will develop a process in 2008 for CVPS Central Scheduling in which a sample of outage cards recorded in the field are compared with CADOMS inputs for protective device and fault locations. If this review identifies a discrepancy then outages will be flagged for review. The goal of this process will be to allow for future reconciliation of outages to ensure that they are accurately closed out by Company personnel.
- (ii) CVPS will review the determination of a "no match" rate (i.e., the difference between CADOMS data and the faulty outage cards) and recommendation on the percentage of the total number of outages.

Stipulation at 5–6.

18. CVPS agrees to share the results and recommendations derived through the implementation of the process improvements identified in findings 15–17, above, with the Department at such intervals as may be agreed to by the Parties, and will include a summary in CVPS's next IRP. Stipulation at 5–6.

Other Conditions

19. The Stipulation provides that the Board should keep this docket open in order to consider any compliance filing made pursuant to the Stipulation and to secure CVPS' opportunity to request an amendment to any order approving the 2007 IRP to include approval of the RFP pursuant to 30 V.S.A. § 218c. Stipulation at 6.

IV. DISCUSSION

In this Proposal for Decision, I recommend that the Board approve CVPS's IRP as filed on April 2, 2007, and as supplemented on March 7, 2008. The IRP meets the statutory requirement in 30 V.S.A. § 218(c) by setting forth a plan for meeting customers' needs for energy services, after safety concerns are addressed, at the lowest present-value life-cycle cost, including environmental and economic costs. The IRP incorporates reasonable strategies for obtaining energy supply, but also transmission and distribution capacity upgrades and efficiency.

With one caveat, I also recommend that the Board approve the Stipulation between CVPS and the Department which includes specific commitments by CVPS to improve its forecasting, resource planning, and reliability. The Stipulation specifies that CVPS may request that the Board amend any order approving the 2007 IRP to include approval of the RFP. Since CVPS has already issued its RFP, this issue may be moot. However, since the focus of the IRP is on the Company's analytical methodology, rather than a particular power supply solicitation, a request would appear to be outside the scope of the normal review of IRPs and I recommend that the Board not accept it.

This Proposal for Decision has been served on all parties to this proceeding in accordance with 3 V.S.A. § 811.

Dated at Montpelier, Vermont, this 6th day of May, 2010.

s/ George E. Young
George E. Young
Hearing Officer

V. BOARD DISCUSSION

CVPS and the Department generally supported the Hearing Officer's recommendations. However, CVPS objected to the discussion on page 7 of the Proposal for Decision ("PFD") where the Hearing Officer recommends that the Board not accept the provision in the Stipulation that allows CVPS to request that "the Board amend any order approving the 2007 IRP to include approval of the RFP." The Hearing Officer concluded that the issue was moot, but stated that "since the focus of the IRP is on the Company's analytical methodology, rather than a particular power supply solicitation, a request would appear to be outside the scope of the normal review of IRPs and I recommend that the Board not accept it."

CVPS agrees that the issue of approval of its RFP is now moot. However, CVPS requests that the Board "refrain from determining whether this aspect of the Stipulation is 'outside of the normal review of IRPs' or otherwise address the authority of the Board to issue an IRP authorization in connection with the review of a power supply RFP." CVPS also notes that its Stipulation with the DPS contemplated that the Company would undertake certain actions in 2008 and 2009 as a part of its IRP activities. CVPS asks that it be permitted to submit a compliance filing upon approval of the IRP that would adjust the schedule for these commitments to reflect the timing of the Board's approval of the IRP.

The Department agrees that the issue of Board approval of the RFP appears to be moot. However, the Department suggests that if the Board has a firm view on the issue, it would be useful to the parties to delineate it.

We agree with the parties that CVPS has completed its RFP without seeking prior approval, so we do not need to rule on the issue as it pertains to that power supply solicitation. Nonetheless, the issue raised by stipulation may recur and it is appropriate to provide parties guidance for the future. Here, we adopt the Hearing Officer's recommendations and analysis. In particular, we agree that the IRP process is not the appropriate vehicle for obtaining ratification for any particular resource selection; rather, the focus of the Board and the parties (and, for that

matter, the Company) has been the analytical methodology by which Vermont utilities examine their resource needs.²

As to CVPS's request that we extend the deadlines for certain commitments in the Stipulation, we agree. CVPS shall submit a compliance filing within 30 days of this Order setting out the revised dates. CVPS should work with the Department in developing new deadlines that are mutually acceptable.

Finally, the IRP and Stipulation do not specify a deadline for submission of the next IRP. We require CVPS to file it by April 1, 2011.

VI. ORDER

IT IS HEREBY ORDERED, ADJUDGED AND DECREED by the Public Service Board of the State of Vermont that:

1. The findings and conclusions of the Hearing Officer are adopted.
2. The Integrated Resource Plan filed by Central Vermont Public Service Corporation ("CVPS") on April 2, 2007, as supplemented on March 7, 2008, is approved.
3. The Stipulation between CVPS and the Vermont Department of Public Service filed on July 24, 2008, is approved, except as modified above.
4. CVPS shall file its next Integrated Resource Plan by April 1, 2011.
5. No later than 30 days from the date of this Order, CVPS shall submit a compliance filing setting out revised deadlines for commitments in the Stipulation. The Department shall submit any comments upon those deadlines within 10 days of CVPS's filing.

2. This Order does not preclude CVPS from asking for approval of a future RFP through an appropriate vehicle, if one could be identified.

Dated at Montpelier, Vermont, this 9th day of August, 2010.

<u>s/ James Volz</u>)	
)	PUBLIC SERVICE
)	
<u>s/ David C. Coen</u>)	BOARD
)	
)	OF VERMONT
<u>s/ John D. Burke</u>)	

OFFICE OF THE CLERK

FILED: August 9, 2010

ATTEST: s/ Susan M. Hudson

Clerk of the Board

NOTICE TO READERS: This decision is subject to revision of technical errors. Readers are requested to notify the Clerk of the Board (by e-mail, telephone, or in writing) of any apparent errors, in order that any necessary corrections may be made. (E-mail address: psb.clerk@state.vt.us)

Appeal of this decision to the Supreme Court of Vermont must be filed with the Clerk of the Board within thirty days. Appeal will not stay the effect of this Order, absent further Order by this Board or appropriate action by the Supreme Court of Vermont. Motions for reconsideration or stay, if any, must be filed with the Clerk of the Board within ten days of the date of this decision and order.